

## Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 INR-07 EB-07 CIAE-00 PM-03 L-02 ACDA-05

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P R 051719Z APR 75

FM SECSTATE WASHDC

TO USMISSION NATO PRIORITY

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L STATE 077732

E.O. 11652: GDS

TAGS: ECON, EFIN, NATO, PFOR

SUBJECT: ECONADS: NATO AND THE WARSAW PACT--STRATEGIC

-- AND POLITICAL IMPLICATIONS OF THE ECONOMIC

-- SITUATION

REF: NATO 1809

1. FOLLOWING COMMENTS PREPARED BEFORE RECEIPT OF NATO  
1809. COMMENTS ARE DIRECTED TO ORIGINAL DRAFT. IF  
STILL DESIRED, WE CAN CONSIDER DIRECTORATE DRAFT WEEK OF  
APRIL 7. COMMENTS KEYED TO PARAS OF ORIGINAL DRAFT.

--8. WE WOULD AGREE TO DELETION OF THE LAST SENTENCE

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REGARDING PRODUCERS' CONCERN OVER ARMED ATTACK.

--9. WE SEE NO REASON TO CHANGE THIS PARAGRAPH.

--18. REPLACE PARAS 18 AND 19 BY THE FOLLOWING:

BUDGETS:

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AT THE END OF 1974, THE EMPHASIS OF DEMAND MANAGEMENT POLICIES IN SOME NATO GOVERNMENTS SHIFTED FROM COUNTER-INFLATIONARY POLICIES OF RESTRAINT TO A GREATER RELATIVE

STRESS ON STIMULATIVE COUNTER-RECESSIONARY POLICIES AS A MEANS OF COMBATting RISING UNEMPLOYMENT. ACCORDINGLY, FISCAL STIMULUS WAS UNDERTAKEN IN THE FORM OF LARGER BUDGETARY DEFICITS, NOTABLY IN THE UNITED STATES AND ALSO IN THE FEDERAL REPUBLIC OF GERMANY. TAX REDUCTIONS HAVE BEEN UNDERTAKEN IN THE US AND TAX REFORM IN THE FEDERAL REPUBLIC. THE AGGREGATE AMOUNT OF FISCAL STIMULUS DURING CALENDAR YEAR 1975 WILL NOT BE CLEAR UNTIL ACTUAL SPENDING LEVELS HAVE BEEN VOTED UPON, BUT TAX REDUCTIONS AND SPENDING PLANS ALREADY BUDGETED INDICATE A CONSIDERABLE INCREASE IN FISCAL STIMULUS OVER THAT FORESEEN A FEW MONTHS AGO.

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